MARCH 1990

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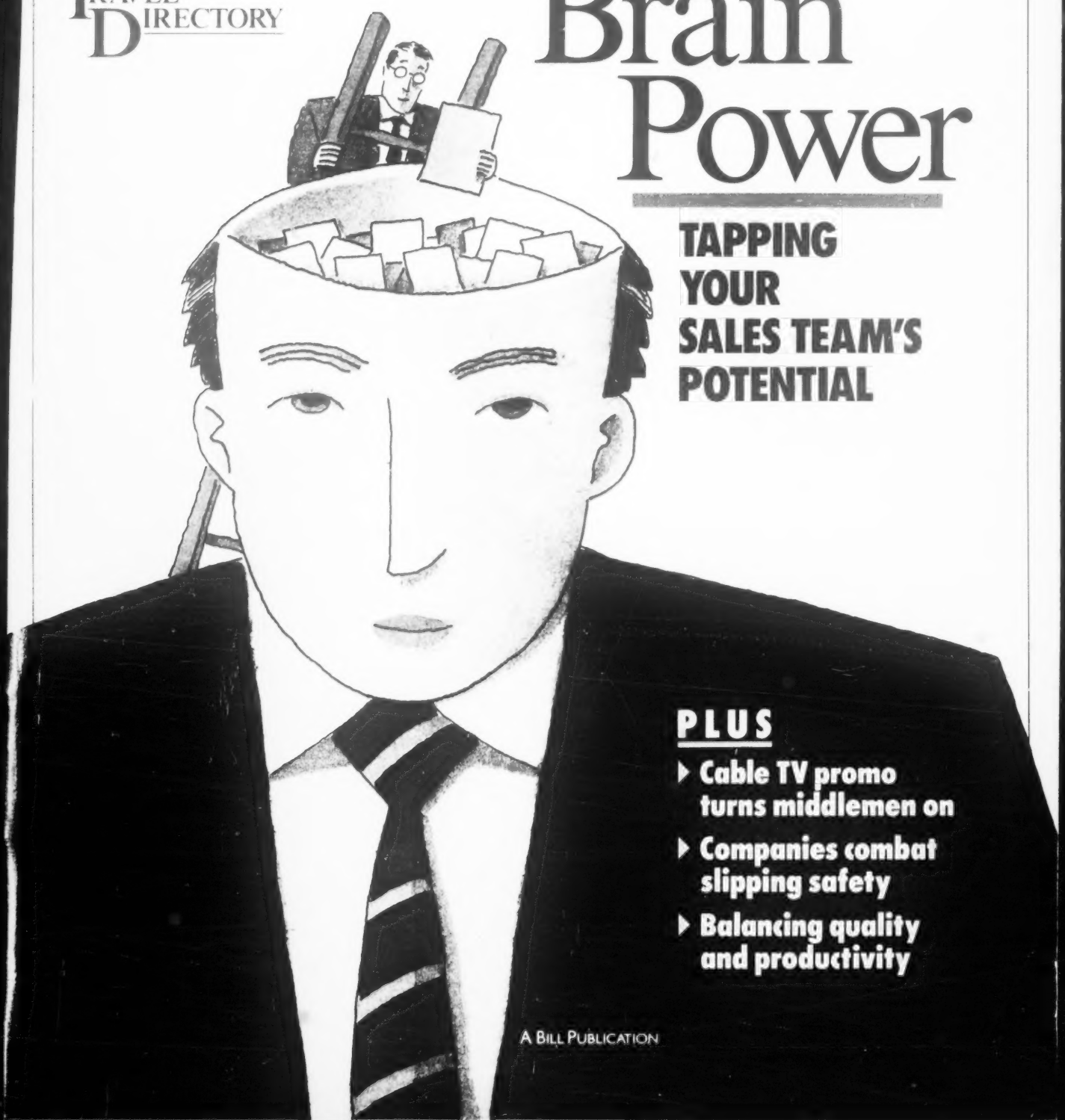
INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

1990 TRAVEL DIRECTORY

Brain Power

TAPPING YOUR SALES TEAM'S POTENTIAL



PLUS

- Cable TV promo turns middlemen on
- Companies combat slipping safety
- Balancing quality and productivity

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MARCH 1990

INCENTIVE

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First Aid for Safety Problems

BY MICHAEL GATES

As accident rates and costs rise, workplace safety incentives are coming to the rescue.

WARNING: Your employees may be in greater danger than ever before—and that could cost you plenty in higher compensation rates, lost productivity and even lawsuits. Though speculation about root causes abounds, it's clear that accident rates and health risks in the workplace are on the rise. Consider the recent findings by the Bureau of Labor Statistics in Washington D.C.:

- In 1988—the last year for which total figures are available—there were nearly 6.2 million job-related injuries recorded in the private sector. Nearly one-half of these were serious enough to cause the injured workers to lose work days, restrict their activities on the job, or both. There were nearly 57 million lost work days in 1988, compared with about 51 million in 1987.
- About 350,000 more job-related injuries were recorded in the private sector in 1988 than in 1987. The accident rate was also higher in 1988 (see chart).

From sensational explosions at oil refineries to minor cuts and scrapes in offices and factories, corporate casualties continue to rise. Companies are being forced to respond, and not just out of benevolence—though executives who demonstrate that they care foster higher morale among employees—but because accidents are costing them dearly.

And safety isn't just a manufacturing problem. According to the Bureau of Labor Statistics, only one-third of the total injuries reported in 1988 were in manufacturing. Other industries with high accident rates included wholesale and retail trade, services and construction. Though plants and factories had the highest injury totals, non-manufacturing businesses experienced some of the highest accident rates: eating and drinking establishments, grocery stores, hospitals, trucking firms, nursing homes, department stores, and hotels and motels.

According to the New York-based National Council on Compensation Insurance, U.S. companies paid out about $42 billion in workers' compensation premiums in 1988—and when figures are finalized for 1989, they probably will be 10 percent higher. The council's data shows premiums rising steadily since the early 1970's, and sharply since the mid-70's and early 80's.

Why? A council spokesperson

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"Injury and fatality rates are shockingly high," says an insurance industry observer. "When you work in this job you see the statistics and it sickens you."

cites three reasons: Government reports indicate that the number of industrial accidents have been increasing since the early 1980's; medical costs are soaring at twice the rate of the consumer price index, and wages —which include premiums—have been increasing at a rate of 4 percent to 5 percent per year. In the early 1970's, medical costs accounted for 25 percent of total premiums paid, while the rest went toward indemnity. The medical cost figure is now 40 percent—and indemnity costs are increasing to keep up with inflation.

There are other reasons for the jump in safety costs. "Workers' compensation benefits are set by state legislatures," says Jeff Palca, field services vice president for the Insurance Information Institute in New York. "Insurance companies have been requesting rate increases.... Generally speaking, labor tries to get the benefit levels raised, and the insurance companies say 'Fine, then you've got to raise rates.' " He notes that "compensation rates often are set at two-thirds of the employee's average weekly pay."

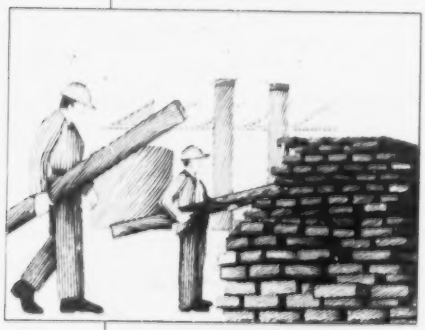
Asked to comment on the current injury rates, he replies that "Injury and fatality rates are shockingly high....When you work in this job you see the statistics and it sickens you."

Of course, compensation costs wouldn't be so enormous if the accident rates weren't so staggering. Observers tend to lay the blame on the feverish wave of corporate mergers and acquisitions over the past decade. "Look at corporate down-sizing," suggests Joseph Kinney, executive director of the Chicago-based National Safe Workplace Institute. "It can be driven by LBO's, mergers and so on. The effect [of the resulting debt so many companies have taken on] has been to reduce personnel, training and incentives. There's been a clear reduction in the number of training personnel, safety engineers and industrial hygienists."

"There needs to be...a recognition that corner-cutting just doesn't work," Kinney adds. "And in the short run, incentive programs make a lot of sense, as long as the goals, objectives and prizes are right."

A note of caution about the federally compiled safety statistics is sounded by Stephen G. Minter, editor of Occupational Hazards, a controlled-circulation business magazine that serves managers responsible for health and safety within their companies. "You're really looking into quicksand when you look at those statistics," he says. It is extremely difficult, he insists, to know whether they reflect an actual rise in workplace incidents, or simply better accident reporting methods. "There's been a real push by OSHA [the federal government's Occupational Safety and Health Administration] to keep more accurate records."

He admits, however, that "there could be changes in the nature of the workplace. There's a lot of interest now in 'ergonomic' issues—the fit between workers and the workplace." An example of an ergonomic problem, he explains, would be requiring workers to use equipment that hasn't been designed for comfortable use—which can lead to everything from



INDUSTRIAL SAFETY

	1988 average annual employment*	Total cases 1988	Total cases 1987	Lost workdays 1988	Lost workdays 1987
Private industry (average)	88,698.8	8.3	8.0	72.5	67.3
Agriculture, forestry & fishing	1,114.1	10.4	10.7	99.8	92.5
Mining	721.0	8.5	8.2	150.3	142.9
Construction	5,125.0	14.4	14.5	141.2	134.9
Manufacturing	19,403.0	12.1	11.3	96.4	87.9
Transportation & public utilities	5,548.0	8.8	8.3	117.3	107.1
Wholesale & retail trade	25,139.0	7.8	7.6	59.8	55.4
Finance, insurance & real estate	6,676.0	2.0	1.9	16.3	13.8
Services	24,972.7	5.3	5.3	46.9	44.8

*In millions

The chart shows occupational injury incidence rates and lost work days per 100 full-time workers by industry in 1987 and 1988—the most recent years for which figures are available. Note that the trend is upward in nearly every category.
Source: Bureau of Labor Statistics, Washington, D.C.

minor muscle strains to permanent back problems, or worse.

"In the meat packing industry," Minter says, "there have been moves in the past few years toward requiring workers to work on meat cutting lines...with repetitive cuts rather than many different cuts on the same piece of meat. That can lead to cumulative trauma disorders, which are caused by making people work at too high a speed, with too many repetitions, too much weight to lift, and so on."

Minter's magazine recently reported on a survey by the National Safe Workplace Institute that found a high level of concern for safety on the part of workers. Out of 153 Indiana workers surveyed (62.4 percent were union members), 91.9 percent agreed that the federal government should spend as much or more on occupational safety and health as it does on environmental programs. About 64 percent said their employers give low priority to health and safety; 28.6 percent said they feel "not safe" at work, while none claimed to feel "very safe," and 57 percent reported suffering at least one job-related injury that required a doctor's care.

One reason for more accidents: Cuts in training and incentives brought on by the past decade's wave of corporate mergers and acquisitions.

Most experts agree that motivational programs are crucial to creating a safe workplace. And, while other factors—including maintaining proper staff levels, training workers and improving equipment—are at least equally important, incentives can boost safety rates quickly and relatively inexpensively as one part of an overall safety thrust. "A lot of people feel that motivation shouldn't be the only thing," Minter cautions, adding that unions feel some concern about companies using incentive programs as an excuse for not upgrading equipment or training.

Still, "In the short run, incentive programs make a lot of sense," says Kinney. "They help supervisors and employees solve problems quickly and cheaply." But incentive programs must be created with the input of the workers themselves, he believes. "The intelligent way to approach this is having the workers, whether unionized or not, get together with management to discuss what the goals should be and what the payoff should be." He feels the best rewards are cash, time off, better benefits, education assistance and travel opportunities.

Most experts believe that safety incentive plans must incorporate the following elements to be effective:

1. Commitment to the program by top management;
2. Research into the nature of a company's particular safety problems, including input from the union or the entire work force;
3. A specific goal that everyone can work toward over an extended period: Less than a year generally won't make a long-lasting dent in the accident rate;
4. Involvement by workers' families, when possible;
5. Meaningful rewards;
6. Recognition that motivation is not the whole answer.

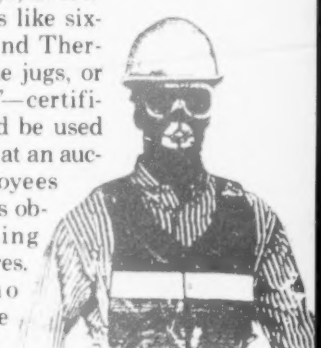
Safety incentive plans, however, don't have to be elaborate or costly to yield significant results. Owensboro Municipal Utilities in Owensboro, Ky., a small public power utility with 200 mostly male employees, sponsors a safety program for its workers built around the familiar "bonus bucks" incentive concept.

According to safety assistant Sharon D. Coffman, the company first realized it needed to emphasize safety in 1985, when it recorded an "alarming number" of lost-time injuries. Since the company already had adequate training and proper equipment, a motivational thrust was clearly in order.

The first step was a safety poster contest. The winning entry from each department—the company has power plant, water, electric transmission distribution and administrative departments—earned the employee a red satin jacket. The company also distributed jackets to everyone in each department that bettered its injury record for the previous year. And the lost workdays rate began to go down.

Next, the company tried focusing on a specific safety problem—eye injuries. Competitive teams were set up within each department, and each was charged points for any recordable eye problems. The losing team planned and cooked a steak dinner for all the others, and employees who had no recordable eye injuries were served their steak by their managers.

Owensboro then decided to institute a "summer safety program," Coffman says, designed to grapple with the company's annual peak injury period. "We vary the way we run it every year," she explains. The first year, the company used a "spotting" method, she says, awarding small prizes like six-pack coolers and Thermos-brandname jugs, or "$afety Buck$"—certificates that could be used to bid on prizes at an auction—to employees whom managers observed following safety procedures. Workers who could recite the company's current safety slogan when asked also received the prizes or bucks, and employees with no injuries by the end of the summer earned extra bucks.



What makes the bucks valuable every year is the auction, held during the company's annual end-of-summer picnic. Employees can bid on such prizes as golf balls, VCR's and grills.

Last fall, Owensboro instituted a "safety bingo" game. All employees are issued bingo cards, and when they hit a bingo, they get all the money in both a departmental "pot"and a company-wide pot set aside for the program. Each pot is increased by $5 for every injury-free day, up to a maximum of $2,000 (for both). If there is a "lost workday" injury, however, the pots immediately return to zero. "If a

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■ QUALITY

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the techniques used in manufacturing—such as statistical quality control—are less applicable, but the basic TQC precepts remain.

One service firm that uses work teams successfully is the Aid Association of Lutherans, an insurance company. In 1987, it reorganized its applications and claims processing activities by instituting self-directed work teams of 20 to 30 employees. These teams handle all back-office activities for a particular geographic region. Employees schedule their own hours, assign themselves tasks, rotate jobs and set production and quality goals. The payoff: a 20-percent increase in productivity and a reduction in case processing time.

Another service firm successfully using work teams is AT&T's Credit Corporation (ATTCC), a subsidiary that provides financing for customers who lease equipment from AT&T and other companies. In 1986, ATTCC set up teams of 10 to 15 workers to combine the three major lease-processing functions (applications, contracts and collections), and assigned the teams to specific customers and sales agents. The teams established personal relationships with the customers and took responsibility for solving their problems. The groups are largely self-managed, making decisions not only about how to deal with customers, but also scheduling work and time off, assigning tasks and interviewing prospective new employees. This approach has doubled productivity.

If U.S. companies want to be world-class competitors in the years ahead, they must realize that quality and productivity are complementary—and that an efficiently produced, high-quality product or service determines success or failure in almost every industry. The "tradeoff" view of productivity and quality—that one precludes the other—is a formula for disaster in the global economy. □

The full text of this article will appear in the Spring 1990 issue of Engineering Costs and Production Economics, a journal published by Elsevier Science Publishers.

■ SAFETY

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While other factors—including proper staffing, training and equipment—are critical, incentives can help boost safety rates quickly and inexpensively.

department hasn't won yet, their pot is bigger," Coffman explains. "Three people have won so far, and the injury rate has gone down considerably."

She reports that the company conducts a safety evaluation every year, toting up the most frequent types of injuries, then putting a special emphasis on reducing them through training, slogans, and, of course, incentives. "One of the most common types of injury is the back injury," Coffman says. "So one summer we gave out extra safety bucks if there were no back injuries."

To build awareness—"the only way a safety incentive program can work is if it makes you more aware of safety," Coffman stresses—the company puts up posters emblazoned with a variety of slogans: "Start the decade off right, think safety day and night" is a generic example, while "Don't let a confined space be your last monitor" referred to the need to monitor gas levels in cramped spaces. Employees who can spontaneously recite the slogan of the month get a gift certificate to a local restaurant.

The Campbell Soup Company in Camden, N.J., might not seem like a hotbed of safety problems, but even a maker of soups has canning and shipping operations that pose potential hazards to workers. Back in August 1986, the company instituted a program called CARE TOO (Campbell Accident Reduction Effort) for 26,000 employees at various locations around the country. The workers were issued lottery-style coupons every time their plant stayed accident-free for 30 days. The coupons served as sweepstakes entries, and also had rub-off sections that revealed point values good for redemptions from a merchandise catalog. Sweeps prizes included Caribbean cruises, a car, a camper, trips to Disney World, stereos, bicycles, appliances and televisions. Campbell's increased the value of each individual plant's coupons every time it reached another accident-free 30-day plateau. Even workers' families got into the act via a poster contest for kids.

The internal promotion was so successful at reducing injuries that Campbell's ended up running it for three years, according to corporate safety director Fred Wahl. "We wanted to see what effect safety incentives had on our worker compensation costs," he says. "Over the three years, we saved over $5 million."

The side benefits of a safety emphasis shouldn't be underestimated. Ed Jacobs, personnel and safety manager at Fel-Pro Incorporated, a Skokie, Ill., manufacturer of automotive gaskets and sealers, says safety efforts almost automatically raise morale.

His company runs a safety suggestion program that awards a "Suggester of the Month" with $25 plus an imprinted coffee mug for everyone in his or her department. The "Suggester of the Year" receives a check for $1,500, presented in a ceremony at the company's annual Christmas party. A rotating committee of supervisors evaluates the safety suggestions, which are submitted in writing to Jacobs. Typical ideas, he says, have included placing mirrors over narrow aisles on the plant floor, and mounting guards on dangerous equipment.

Fel-Pro's casualties most often involve cuts and scratches, and eye and back problems. Keeping these injuries from harming motivation and boosting compensation costs are the suggestion plan's most obvious missions, but there's a psychological element as well. The program sends a simple but essential message, Jacobs says: "We don't want our employees to get hurt." □